



Press Release

Cruso Granito Private Limited

June 25, 2020

Ratings

Sl. No.	Instrument/Facility	Amount (Rs. Crore)	Ratings	Rating Action
1.	Long Term Bank Facilities	50.55	IVR BB/Stable Outlook (IVR Double BB with Stable Outlook)	Assigned
2.	Short Term Bank Facilities	3.00	IVR A4 (IVR A Four)	Assigned
	Total	53.55		

Details of Facilities are in Annexure 1

Detailed Rationale

The ratings assigned to the bank facilities of Cruso Granito Private Limited (CGPL) draws comfort from its experienced and resourceful promoters, strategic location of manufacturing plant and average financial risk profile. However, these rating strengths are partially offset by nascent stage, working capital intensive nature of operations and exposure to regulatory risk and foreign currency fluctuation. The rating also considers intense competition in tiles industry, cyclical nature in real estate industry and vulnerability to change in raw material prices

Key Rating Sensitivities:

Upward Factor:

- Significant growth in scale of business with improvement in profitability metrics

Downward factor:

- Dip in operating income and/or profitability impacting the debt coverage indicators,
- Deterioration in the capital structure with overall gearing
- Elongation in the operating cycle impacting the liquidity.



Press Release

List of Key Rating Drivers with Detailed Description

Key Rating Strengths

Experienced and resourceful promoters:

GCPL is promoted by Ramoji Group and Vita Group , engaged in manufacturing of ceramic tile(vitrified tiles i.e. Soluble Salt, Double Charged, Twin Charged and Glazed Vitrified Tiles) of small size and having presence in the industry from 2003.

The company was established under the guidance of Mr. Devendra B. Patel, Mr. Dharam P. Chatrola and Mr. Anand R. Vadhadia who has over a decades of experience in tiles industry through their association with group entities in a similar line of business. The promoter is supported by a highly qualified and trained team to run day to day operations. Long-standing presence of the promoters in the industry has helped the company to establish healthy relationship with its customers and suppliers. CGPL is benefitted by existing marketing and distribution network of associate entities

Strategic Location Advantage:

The company manufacturing plant is located in Morbi which is considered to be the ceramic hub of India, contributing over 80% of total ceramic tiles production in India. Therefore the company has competitive advantage in easy access to quality raw material at competitive prices and lower transportation cost from Gujrat and parts of Rajasthan.

Average Financial risk profile:

The capital structure of the company remained satisfactory in FY19. The overall gearing ratio and long term debt equity ratio stood at 1.53x and 1.12x in FY19 with a modest networth of Rs 26.01 crore.The company total debt comprises of Rs 15.08 crore bank borrowing and outstanding term loan of Rs 37.66 crore with repayment of Rs 3.89 crore in FY19. Unsecured loan from director and related parties are treated as quasi equity.Total indebtedness of the company TOL/TNW and interest coverage ratio stood at 2.75x at 1.63x in FY19



Press Release

Key Rating Weaknesses

Nascent Stage of operations:

Being in a nascent stage (commercial operations commencing from April 2018), the company registered revenue of Rs 41.58 crore in FY19 with an average capacity utilisation of 54%. However there was increase of 106% in operating income in FY20 and has achieved total sale of Rs 86 crores in FY20(prov) with increase in order received and execution of the same leading to increased capacity utilisation. CGPL has generated adequate cash generation to repay its debt obligations.

Working capital intensive nature of operations:

The company's operations are working capital intensive in nature, reflected by its operating cycle of 84 days due to high inventory at around 112 days for FY19. CGPL majorly procures raw material locally from Gujrat and Rajasthan on a credit period of 90 to 100 days and offers credit period of 60 to 90 days to its customer and sometimes extend upto 120 days in case value order is received. The company has utilized ~98.50% of working capital in 12 months ended Jan, 2020. The current and quick ratios remained moderate at 1.22x and 0.76x respectively as on March 31, 2019.

Intense competition and cyclicity in real estate industry:

The tile manufacturing industry is characterised by intense competition due to consequent low entry barriers, easy availability of raw material, limited initial capital investment, which results in limiting the pricing flexibility resulting in pressure on company's revenue and margins. CGPL faces direct competition from the large and organised players who have better brand visibility. Further sale of tiles is also linked to demand from real estate sector, which is cyclical in nature.

Vulnerability to changes in raw material prices

Major manufacturing cost component in ceramic tile industry are raw material (body clay and feldspar) and power, fuel (CGPL uses Natural Gas) which determine the cost competitiveness and company's profitability in the industry. Due to little control over the movement of raw material prices, the company is exposed to raw material price fluctuations impacting the cost structure and margins.



Press Release

Exposure to regulatory risk and foreign currency fluctuation

CGPL, like other players in the ceramic tile industry, remains exposed to changes in the legal and regulatory environment such as revision of tax rates, implementation of GST, changes in import, custom duty, ban on usage of coal in Gujrat, imposition of anti-dumping duty on Chinese tiles etc. The company derived 12.80% of its sale in FY19 from export (50% of its sale from exports in FY20 prov). CGPL is exposed to foreign currency fluctuations as no hedging policy is adopted.

Analytical Approach: Standalone

Applicable Criteria:

Rating Methodology for Manufacturing Companies

Financial Ratios & Interpretation (Non-financial Sector)

Liquidity – Adequate

Though CGPL is at nascent stage of operations with commercial production starting in April 2018 in an intensely competitive tile industry yet it is able to meet its repayment through gross cash accrual and to support liquidity the promoters has infused unsecured loan of Rs 11 crore approx as on March 31, 2019. CGPL has free cash balance of Rs.0.13 crore and fixed deposit of Rs 2.03 Crore in March 31, 2019. The company operations are working capital intensive with highly utilised average utilisation of its working capital limit at ~98.5% in the last 12 months ended on January 2020. The current ratio of CGPL stood at 1.22 times as on March 31, 2019.

About the Company

Cruso Granito Private Limited(CGPL) was incorporated in May 2016 by Ramoji Group and Vita Group who has presence in ceramic industry since 2003 . CGPL was set up with the objective to manufacture Glaze Verified Tiles(GVT) of large sizes and commenced its commercial operations from April 2018. CGPL is engaged in the manufacturing of GVT in size variants -1200mmX2400mm, 1200mmX1200mm, 800mmX1600mm ,800mmX800mm and 600mmX1200mm at manufacturing plant located in Morbi, Gujrat with an installed capacity of producing 50,000 MT per annum. The company sells its product under its own brand "Cruso" through distributors / dealers network on pan India basis and exports mainly



Press Release

to Saudi- Arabia, Spain, Hong-Kong. CGPL is managed by Mr. Devendrabhai Patel, Mr. Anand Rameshbhai Vadhada, and Mr Dharam Pragjibhai Chatrla who have extensive experience in the ceramic industry.

Cruso Granito Private Limited (CGPL) is a part of the group is engaged in Ceramic industry since 2003. The group consists of 7 companies engaged in ceramic tiles manufacturing as well as other industries and has product mix i.e. Soluble Salt, Double Charged, Twin Charged and now added glazed verified tiles.

Financials (Standalone):

(Rs. crore)

For the year ended*/As on	31-03-2019
	Audited
Total Operating Income	41.58
EBITDA	9.43
PAT	-0.03
Total Debt	56.63
Tangible Net worth	26.01
EBITDA Margin (%)	22.67
PAT Margin (%)	-0.08
Overall Gearing Ratio (x)	1.53

*Classification as per Infomerics' standards

Status of non-cooperation with previous CRA: Issuer not cooperating by ICRA vide press release dated April 15, 2019 due to non-submission of No Default Statement for the month of March 2019.

Any other information: Nil

Rating History for last three years:

Sr. No.	Name of Instrument/Facilities	Current Rating (Year 2020-21)			Rating History for the past 3 years		
		Type	Amount outstanding (Rs. Crore)	Rating	Date(s) & Rating(s) assigned in 2019-20	Date(s) & Rating(s) assigned in 2018-19	Date(s) & Rating(s) assigned in 2017-18
1.	Term Loan	Long Term	35.55	IVR BB/Stable Outlook	-	-	-
2.	Cash Credit	Long Term	15.00*	IVR BB/Stable Outlook	-	-	-
3.	Bank Guarantee	Short Term	3.00^	IVR A4			



Press Release

* EPC/FBD/PCFC/EBR Limit -Sub limit of 3.57 Crore within overall CC limit

^ CEL sub limit of Rs 0.11 crore within overall Bank Guarantee Limit

Note on complexity levels of the rated instrument: Infomerics has classified instruments rated by it on the basis of complexity and a note thereon is available at www.infomerics.com.

Name and Contact Details of the Rating Analyst:

Name: Ms. Smriti Jetly

Tel: (011) 24611910

Email: sjetly@infomerics.com

About Infomerics:

Infomerics commenced rating & grading operations in April 2015 after having spent over 25 years in various segments of financial services. Infomerics is registered with the Securities and Exchange Board of India (SEBI) and accredited by Reserve Bank of India. It is gradually gaining prominence in domestic rating and/or grading space. Infomerics is striving for positioning itself as the most trusted & credible rating agency in the country and is gradually widening its product portfolio. Company's long experience in varied spectrum of financial services is helping it to fine tune its product offerings to best suit the market.

Disclaimer: Infomerics ratings are based on information provided by the issuer on an 'as is where is' basis. Infomerics credit ratings are an opinion on the credit risk of the issue / issuer and not a recommendation to buy, hold or sell securities. Infomerics reserves the right to change, suspend or withdraw the credit ratings at any point in time. Infomerics ratings are opinions on financial statements based on information provided by the management and information obtained from sources believed by it to be accurate and reliable. The credit quality ratings are not recommendations to sanction, renew, disburse or recall the concerned bank facilities or to buy, sell or hold any security. We, however, do not guarantee the accuracy, adequacy or completeness of any information which we accepted and presumed to be free from misstatement, whether due to error or fraud. We are not responsible for any errors or omissions or for the results obtained from the use of such information. Most entities whose bank facilities/instruments are rated by us have paid a credit rating fee, based on the amount and type of bank facilities/instruments. In case of partnership/proprietary concerns/Association of Persons (AOPs), the rating assigned by Infomerics is based on the capital deployed by the partners/proprietor/ AOPs and the financial strength of the firm at present. The rating may undergo change in case of withdrawal of capital or the unsecured loans brought in by the partners/proprietor/ AOPs in addition to the financial performance and other relevant factors.



Press Release

Annexure 1: Details of Facilities

Name of Facility	Date of Issuance	Coupon Rate/IRR	Maturity Date	Size of Facility (Rs. Crore)	Rating Assigned/ Outlook
Long Term Bank Facility-Term Loan	-	-	-	35.55	IVR BB/Stable Outlook
Long Term Bank Facility-Cash Credit			-	15.00*	IVR BB/Stable Outlook
Short Term Bank Facility- Bank Guarantee				3.00^	IVR A4

*EPC/FBD/PCFC/EBR Limit -Sub limit of 3.57 Crore within overall CC limit

^CEL sub limit of Rs 0.11 crore within overall Bank Guarantee Limit